

Greater Tompkins County Municipal Health Insurance Consortium
Finance Committee
Tuesday, June 18, 2013 - 9 a.m.

Old Jail Conference Room

Agenda

1. Call to Order
2. Approve Minutes of May 21, 2013 meeting
3. Budget Review
4. Development of Premium Equivalent Rates
5. Adjournment

Minutes
Greater Tompkins County Municipal Health Insurance Consortium
Finance Committee
May 21, 2013 – 9 a.m.
Old Jail Conference Room

Draft

Present: Don Barber, Liz Karns, Mack Cook, Jared Pittman, Glen Morey
Staff and guests: Judy Drake, Steve Locey, David Squires, Jerry Mickelson, Michelle Pottorff

Call to Order

Mr. Barber called the meeting to order at 9 a.m.

Approval of Minutes of April 18, 2013

It was MOVED by Mr. Morey, seconded by Mr. Cook, and unanimously adopted by voice vote by members present, to approve the minutes of April 18, 2013 as submitted. MINUTES APPROVED.

Mr. Barber said at a recent Board meeting and at recent meeting of this Committee there was a discussion of the ancillary benefits. The Bonadio Group found handling them to be difficult when doing their work and the Department of Financial Services also had trouble handling them in the audit. Mr. Barber said these benefits are not offered by the Consortium the Consortium is the intermediary. A question was raised concerning removing them from the Consortium and having another process to deal with them.

Mr. Locey provided an overview of the history of the ancillary benefits and said when the Consortium was being developed it was identified that there were several municipalities that had benefits through the Teamsters Health and Welfare Trust Fund. As a result of that with the Teamsters program there were many additional things an entity received (dental, vision, life insurance, accidental death and dismemberment coverage). When the Consortium was first being formed the Teamsters were approached on several occasions to see if there was any way that if the Consortium provided the medical if the Teamsters would continue to provide those other benefits. Each time they were approached they said no. Even though the Director of the Health and Welfare Trust Fund in Syracuse seemed to be in favor of it the Board of Trustees said no. Mr. Locey said does not know if their position has changed since then but has heard that those rules have been loosened, but has not heard that formally.

Mr. Locey said if the Consortium did not include the Teamsters people it would not have gotten to the required 2,000 contracts and would not be able to start-up. The Consortium put together programs to replace what the Teamsters were providing and he believes the majority of problems the Consortium has experienced has been related to Haylor, Freyer, and Coon with the life, disability, and accidental death and dismemberment policies. At this time the Consortium has these ancillary benefits and acts as a pass-through. The Consortium did negotiate the contracts and did sign the agreements, and Mr. Squires has been acting as the billing agent. In 2012 the ancillary benefit premium was \$98,000. Mr. Locey cautioned this is something the Consortium should be careful about when dealing with them. The issue from the State perspective is that they are not really a part of Article 47. He said the question is how these programs can continue while pulling them out of the financials.

Ms. Karns suggested if the Teamsters were now amenable going back to them would be one solution; Mr. Locey and Mr. Squires agreed that would be the easiest solution. Mr. Locey said the Consortium should look at improving from a service perspective how those benefits are

being provided. Ms. Drake said it would be easier to have municipalities directly billed instead of the bills going to the Finance Department. Mr. Locey said the financial side is probably easier to fix going forward than looking at the Consortium facilitating the benefit to making sure that the handful of municipalities that have it are getting the service they need. Ms. Drake said education on claims management and administration would help. Mr. Squires said it would be much easier to have a separate account for the ancillary benefits. Mr. Barber said since the first quarter JURAT has not yet been filed with the State it could be done for the entire year. He will speak to the Bonadio Group about this and suggested having a discussion with employers and providers to talk about education.

Mr. Cook said he is running into problems trying to convince his Council to allow him to offer dental and vision if it is part of the Consortium because they view it as being one step away from being a union demand, however, they are alright with contracting directly with Excellus for dental and vision as long as it is outside of the Consortium. The disadvantage of doing this is they would lose the advantage of having a reduced cost by having more people in the group.

Ms. Karns said she doesn't think it makes sense to have the funds come in and then go out, resulting in a lag in payments and additional work being performed by the Finance Department. At the very minimum she thinks municipalities should be directly billed. Mr. Locey said he did not oppose this but wanted to make it clear to municipalities that the Consortium is not abandoning them on these ancillary benefits. He suggested holding a meeting with those municipalities that have the ancillary benefits and the CSEA and another meeting with Haylor, Freyer, and Coon. Mr. Barber also suggested a communication with teamsters to see if they would be willing to put the entire package together and take on this responsibility.

Mr. Squires asked for direction with regard to the financial reporting of ancillary benefits. Ms. Karns was unclear what this would involve and it was agreed that the Bonadio Group would be asked for a written evaluation of this that the Consortium could rely on.

Accounting Software

Mr. Barber said the Bonadio Group has recommended the Consortium move to having a dedicated software system, such as QuickBooks, for preparation of the JURAT. Mr. Squires said he supported the recommendation to move to QuickBooks and believes it would expedite financial reporting to the State and would also alleviate what is now a time-consuming and cumbersome process.

Mr. Barber said the QuickBooks is \$1,000 and the Bonadio Group estimates two to three hours per month at a maximum cost of \$300 per month. The Consortium could also train the Consortium to use QuickBooks at a cost of \$100/hr. for two to four hours. They also said they could do QuickBooks webhosting with a consultant fee of \$125/hr. with an estimated \$1,250 per month. There were concerns and ambivalence with regard to the web hosting and the proposed costs.

It was MOVED by Mr. Morey, seconded by Ms. Karns, and unanimously adopted by voice vote, to recommend to the Board of Directors that the Consortium move to QuickBooks as the financial reporting software for the Consortium.

Billing Practice

Mr. Barber brought forward another recommendation from the Bonadio Group concerning billing and the late payments of premiums. Mr. Locey said a lot of consortiums use

the previous month's enrollment to bill the next month's premium which always leaves adjustments to be made.

Mr. Squires said there should be some consensus on when a penalty for late payment is assessed. The County has been the biggest problem in this regard because the information that has been coming from Excellus has made it difficult. He said every municipality has different practices for billing. Ms. Karns felt strongly that a penalty should be assessed at sixty days. Mr. Locey said in instances where Excellus does not bill timely the municipality should use the month's prior data to make a payment. Ms. Karns suggested this could be the monthly practice.

It was MOVED by Mr. Barber, seconded by Mr. Morey, and unanimously adopted by voice vote, to recommended to the Board of Directors that the billing practice for the Consortium for premiums effective July 1, 2013 is that municipalities will be billed by the 1st of the month for the succeeding month's premium and bills must be paid within 45 days or a penalty of 1%.

Mr. Locey recommended having a separate revenue line item for penalties that are paid. It was acknowledged that some municipalities may have two months to pay in July; however, if any municipality receives a bill for two months it means they are already a month behind.

Audit Review

Mr. Barber reviewed Mr. Mickelson's Audit Comment letter.

Finding: In accordance with Note 1(F), the Board may consider whether to establish a claims contingency fund from available surplus funds.

Recommendation: CDLM recommends consideration of this plan provision.

Mr. Barber said the Consortium is not required to have one by Article 47 and is only required to have an IBNR (Incurred But Not Reported) and Stabilization Reserve. As the Consortium begins to build surplus this is one standard venue to put surplus in.

Contributed Capital: CDLM has recommended the contributed capital and interest return provisions be reviewed for current applicability and compliance with the above guidelines.

Mr. Barber said this was an issue for the Department of Financial Services because the capital that was put in was not contributed equally or pro rata. It was enough to get the Consortium to the \$1.22 million. At some point in time it makes sense to return those funds and get everyone on a pro rata share. The Department views this as an assessment and not as a premium and will allow the Consortium to return those funds to members when the Consortium wants to but would like to know when that happens.

Finding: Many instances where the Joint Committee on Plan Structure and Design did not have a quorum present.

Recommendation: A policy be implemented to ensure a quorum at each scheduled meeting.

Excellus Administrative Contract

CDLM recommends a review of the various Excellus Blue Cross Administrative Services Contract provisions and that various provisions be formally clarified and documented.

Mr. Locey said the Blues traditionally deal with clients on a self-funded basis. One of the things they do to protect their financial interest is they build a requirement into their contract that says they recognize the entity has a liability for incurred but not reported claims and ask that they secure that amount to protect their interest to pay the claims if they run out of money. There are three ways they authorize an entity to secure those funds: purchase a letter of credit, purchase a surety bond, or set up a secured bank account where funds are segregated and if the entity defaults the Blues would have access to those funds. The contract comes up for renewal in January, 2014 and Mr. Locey said the easiest way to deal with it is to have it removed from the contract.

Incurred Claims Liability

During the current and prior year audits, CDLM noted no formal documentation stating that liability for claims and expenses shall be 12% of annual total expenses. The liability has been calculated at approximately 12% of expected total incurred claims expense, but there does not appear to be formal documentation of this provision by the Department of Financial Services.

Recommendation: Formal documentation be obtained.

Mr. Barber said efforts have been exhausted trying to find a document and he has asked the Department of Financial Services for the document and they also have not been able to find it. He stated everyone in the Department knows this is the amount and is used in the JURAT filing which has been accepted by the State. He has made a request of the State for this and will continue to work on this. Mr. Locey said he doesn't think a document stating this exists but it was in all of the financial information submitted with the Consortium's application. He said it is relatively close to what their study shows the IBNR should be for consortiums.

Audit of Medical Claims

Recommendation: CDLM recommends an independent firm be engaged to perform audits of medical claims paid.

Mr. Barber said the Audit Committee is in the process of developing an RFP for the claims audit.

Stop Loss

Mr. Cook asked if the Consortium should think about a stabilization reserve. Mr. Locey said they recommend consortiums have three reserves: IBNR, catastrophic claims reserve, and a rate stabilization or contingency reserve. Mr. Locey said the Consortium would put out a Request for Quotes for Stop Loss in the Fall.

Budget Discussion

Locey distributed a 2013 Budget Performance Analysis. He said each year they look at the budget versus actual and then will make adjustments to the budget. He reviewed budget lines and said they look at each line item and try to trend from one year to the next. They typically do not budget for Stop Loss claims as they believe that if the claim are reflecting some significant catastrophic losses it will show claims being higher than budget with the offset being in the revenue. Claims are 93-94% of the total budget. Stop Loss was above budget by 30%; he will check to see if there was a prepayment in the total. He said they go through each of the line items with what they know today, revise the current budget to reflect what their expectation is for the year, and then will trend for the next year.

Mr. Locey he would like to go through each of these line items with the Committee independently and provide their expectation and rationale for the year.

Next Meeting

Mr. Barber asked what information members would like to have in advance of the next meeting. Mr. Locey will prepare backup information for each of the budget lines. He would like to present preliminary budget information to the Board of Directors at the July meeting with adoption in September.

Mr. Locey said there will be two additional fees the Consortium will be paying in 2014. One is the Patient Centered Research Outcomes Institute Trust Fund fee which is will be \$2 per covered life in 2014; the second fee is the Transitional Reinsurance Fee which was established to help offset costs to the Health Exchanges; this will be \$5.50 per contract per month. There are also Health Insurance Sector Fees (Premium tax) which will not apply to the Consortium. Those equal approximately 2½% of paid claims for the year.

Mr. Locey said there are some additional items that could be built into the budget such as GASB45 actuarial costs. He will look into what other items there may be.

The next meeting will be June 18th at 9 a.m.

Adjournment

The meeting adjourned at 10:25 a.m.